

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 95/MP/2023

Coram:

Shri Jishnu Barua, Chairperson

Shri I.S. Jha, Member

Shri Arun Goyal, Member

Shri P.K. Singh, Member

Date of Order: 20th November, 2023

IN THE MATTER OF:

Petition under Regulations 54, 55 And 56 of the Central Electricity Regulatory Commission (Power Market) Regulations, 2021 for reporting compliance in terms of the order of the Hon'ble Commission dated 26.04.2011 in Petition No. 285/MP/2021 and for seeking additional time period in order to achieve the compliances set out under Regulation 15 of the Central Electricity Regulatory Commission (Power Market) Regulations, 2021.

And in the matter of

Power Exchange India Limited,
9th Floor, 901, Sumer Plaza,
Marol Maroshi Road, Marol Andheri (East),
Mumbai 400059, India

...Petitioner

Parties Present:

Shri Sakya Singha Chaudhuri, Advocate, PXIL

Ms. Nithya Balaji, Advocate, PXIL

Shri Aryaman Singh, Advocate, PXIL

Shri Anil V Kale, PXIL



ORDER

The Petitioner, Power Exchange India Limited (hereinafter referred to as the "PXIL"), has requested the Commission, under Regulations 54, 55, and 56 of the CERC Power Market Regulations, 2021 ('PMR 2021') to grant additional time of 2 years, i.e., till 31.03.2025 to the Petitioner to comply with the ownership structure prescribed under the PMR 2021.

2. The Petitioner has made the following prayers:

(a) *Note the compliance to the directives issued by this Hon'ble Commission vide its order dated 26.04.2022 in Petition 285/MP/2021 as follows:*

- i. Net worth norms as provided under Regulation 14 of PMR 2021;*
- ii. Submission of petition seeking approval for transaction fee under Regulation 23 of PMR 2021;*
- iii. Compliance to Regulation 27 of PMR 2021 regarding disbursement of interest to Members on initial security deposit;*
- iv. Submission of comments / observation in draft GNA Regulations 2022 and draft IEGC Regulations 2022 in the matter of submission of application to SLDC for scheduling delivery of power in intra-State transaction;*
- v. Revised Rules, Bye-Laws, Business Rules in Physical segment, REC segment and ESCert segment in alignment with PMR 2021*

(b) *Grant additional time of two years i.e. till 31.03.2025 for alignment of ownership structure as per prescribed norms under Regulation 15 of PMR 2021;*

(c) *pass such other order(s) as the Hon'ble Commission deems fit and proper.*

Background

3. The Petitioner, Power Exchange of India (PXIL), was granted registration to establish and operate a Power Exchange vide Commission's Order dated 27.05.2008. Presently, it is offering contracts in the Integrated Day Ahead Market (IDAM), Real Time Market (RTM), Term Ahead Market (TAM), Green Term Ahead Market (GTAM), Renewable Energy Certificates (RECs), and Energy Saving Certificates (ESCs).



4. The Commission, vide notification dated 15.02.2021, notified the Central Electricity Regulatory Commission (Power Market) Regulations, 2021 in supersession of the erstwhile Central Electricity Regulatory Commission (Power Market) Regulation, 2010. It came into force with effect from 15.08.2021 vide notification ref no L-1/257/2020/CERC dated 28.07.2021. The PMR 2021 introduced various compliances which were to be carried out within a specific period in a specific manner.

5. Several modifications have been implemented by the PMR 2021 concerning time-bound compliances, the formation of multiple committees for surveillance, and the performance of other duties. The Petitioner has modified the operational procedures of its exchange in response to the aforementioned directives. The Petitioner had submitted Petition No. 285/MP/2021 (e-filed on December 17, 2021, and hardcopy filed on December 20, 2021) asking for permission to amend the PX's Bye-Laws, Rules and Business Rules, Energy Saving Certificate Business Rules, and Renewable Energy Certificate Business Rules, among other things, to bring them into compliance with PMR 2021. Additionally, the Petitioner, in the aforementioned petition, asked the Commission to extend the deadline for achieving certain compliances under Regulations 54, 55, and 56 of the PMR 2021 because some of the compliances involved lengthy processes and required more time than had been allowed. Following the Petitioner's hearing and review of the papers filed, the Commission issued the order dated April 26, 2022, along with the required directions.

Background of case

6. On 26.04.2022, the Commission issued an order and directions on different subjects after reviewing the Petitioner's documentation. The relevant portions of the order are extracted below:

“40. The Petitioner has prayed for granting additional time period till 31.03.2024 for complying with the minimum net worth requirement of Rs. 50 crores. The Commission, in its earlier orders, has underscored the importance of net worth for a Power Exchange to avoid any business risk having the potential to create systemic risks and contagion effects on the sector. As such, relaxation of this



requirement should not be sought on a routine basis. However, with due regard to the progress made so far by the Petitioner and in view of the fact that its present net worth (Rs. 46.58 crores) is close to the requirement of Rs. 50 crores, the Commission in exercise of its powers under the second Proviso to Regulation 14 of the PMR 2021 allows extension of time as a special case up to 31.03.2023 to the Petitioner for meeting the minimum net worth requirement as specified under Regulation 14 of the PMR 2021.

...

Transaction Fee

...

46. ...we direct the Petitioner to file a separate Petition on the transaction fee providing the rationale of its proposal based on types of contract or quantum of the transaction, or duration of the transaction or such other factor(s) in accordance with Regulation 23 of PMR 2021, within two weeks of issuance of this Order.

Settlement Guarantee Fund / Initial Security Deposit

47. The Petitioner has sought clarity regarding settlement guarantee fund / initial security deposit and on distributing at least 70% of the returns on it to the members in proportion to initial security deposit of the members and duration for which such deposit was held with the Power Exchange. We find that Regulation 27 of the PMR 2021 is self-explanatory in this regard and direct the Petitioner to strictly adhere to the same with effect from the date of notification of these Regulations.

Intra-state Transactions

48. The Petitioner submitted that in transactions, where the buyer and the seller are connected to an intra-State network of the same State, the submission of application to SLDC (instead of the RLDC), will result in the reduction of cost. The Petitioner has requested for permission for making application to SLDC when such intra-State transactions materialise and to not levy the charges and losses related to the usage of the inter-State network for such transactions.

49. We note that the Petitioner's request amounts to amendment to the relevant Regulations (IEGC and Open Access Regulations) of the Commission. It is reiterated that the request for amendment to Regulations cannot be entertained through petitions. The Petitioner can raise these issues when the said Regulations are taken up for amendment by the Commission. Accordingly, the prayer of the Petitioner relating to intra-State transactions is rejected as being outside the scope of the present regulatory dispensation. Draft of revised Bye Laws, Rules and Business Rules

50. PXIL was granted registration by the Commission prior to the date of coming into force of the PMR 2021. Therefore it shall be deemed to be registered under these Regulations. However, it is required to realign its Bye-Laws, Rules and Business Rules in terms of the PMR 2021. In this regard, it has made revisions in its bye-laws, rules and business rules and has provided its drafts in track change mode for seeking Commission's approval.



51. We have examined the drafts of the revised Bye-Laws, Rules, and Business Rules submitted by the Petitioner. The deviations/ changes from the Bye-Laws, Rules, and Business Rules approved under PMR 2010 are noted and accordingly, the Commission has indicated its observations/ directions in the last column of the Annexure to this Order. The Petitioner is directed to amend its Bye-Laws, Rules and Business Rules by appropriately incorporating these directions/ observations and provide us on affidavit, a fair copy of the Business Rules, Rules, and Bye-Laws within a week of the date of this Order. The Petitioner is also directed to upload these documents on its website within two days of issuance of this Order. Needless to mention, if any discrepancy is noticed or if it appears that the revised Bye-Laws, Rules and Business Rules do not conform to the Regulations in any respect, necessary directions may be issued for such compliance.”

7. In compliance with the above-mentioned directions the Petitioner submitted the present status of compliances:

S. No.	Compliance as per order dated 26.04.2022	Status
1.	Net Worth - Norm of Rs. 50 crore to be complied with by 31.03.2023	As of 31.12.2022, the unaudited and provisional net worth (including liability of preference dividend arrears) is Rs 65.21 Crore, and provisional net worth (excluding the liability of preference dividend arrears) is Rs. 72.45 Crore, enabling PXIL to meet the prescribed criteria.
2.	Transaction Fee -	PXIL submitted Petition no 178/MP/2022 seeking approval for transaction fee under the provision of Regulation 23 of PMR 2021.
3.	Settlement Fund/Initial Deposit - Guarantee Security	In compliance with the directive, about FY 2021-22, the Petitioner had disbursed 70% of returns earned on the initial security deposit from 15.08.2021 to Members in proportion to the initial security deposit.
4.	Intra-State transactions - CERC directed that issues related to levy of charges and losses related to usage of inter-state networks be raised when IEGC and Open Access Regulation are taken for amendment by the Commission	i. CERC issued a public notice dated 16.12.2021 inviting comments from stakeholders on the draft Central Electricity Regulatory Commission (Connectivity and General Network Access to the inter-State Transmission System) Regulations, 2021. The Petitioner, vide letter dated 15.02.2022, submitted its observations/comments as under: <i>“To facilitate Power exchange to submit application to SLDC of the State, PXIL humbly suggest the inclusion of the following provision in NOAR</i> <i>“Regulation 27.1 (ii)</i>



S. No.	Compliance as per order dated 26.04.2022	Status
		<p><i>(ii) (a) Provide an interface with the Power Exchange (s) for submission of application to SLDC of the State for scheduling and delivery of power when both Buyer and Seller are in the same State”</i></p> <p>ii. CERC issued a public notice dated 07.06.2022 inviting comments from stakeholders on draft Central Electricity Regulatory Commission (Indian Electricity Grid Code) Regulations, 2022. Petitioner vide letter dated 30.08.2022, submitted its observations / comments as under: <i>“PXIL suggests Regulation 44 (1) (c) to be amended by including the below provision: ‘Regulation 44 (1) (c) (iv) Facilitate transfer of application received from Power exchange to SLDC of the State for scheduling and delivery of power of an Intra State transaction executed under provision of Regulation 5(2) and Regulation 5(3) of CERC (Power Market) Regulations, 2021’</i></p> <p>...</p> <p><i>PXIL submits that to enable reduction in transaction cost and to facilitate submission of application to SLDC of the State, it is suggested to add a Regulation 44(3) (d) as: ‘Regulation 44(3) (d) Scheduling and despatch of intra-State Contracts operating under provisions of Regulation 5(2) and Regulation 5(3) of CERC (Power Market) Regulations, 2021 based on applications submitted by Power exchange in NOAR portal or directly to SLDC of the State”</i></p>
5.	<p>Draft of revised Bye laws, Rules and Business Rules – Petitioner directed to amend its Bye-Laws, Rules and Business Rules by appropriately incorporating the directions/observations and provide on affidavit a fair copy of the Business Rules, Rules and Bye-Laws within a week of the date of the Order and also upload the same on its website.</p>	<p>Vide circular dated 11.05.2022, Petitioner uploaded the revised Rules, Bye-Laws, Business Rules in Physical segment, REC segment and ESCert segment to align with PMR 2021 and submitted an affidavit dated 01.05.2022 in the matter.</p>

Hearing dated 25.05.2023

8. The matter was heard for admission on 25.05.2023. The learned counsel for the Petitioner submitted that in response to the observation about the Petitioner's compliance with the ownership structure stipulated in PMR 2021, the petition contains details of the efforts taken by the Petitioner. The learned counsel stated that the Petitioner communicated shareholding structure alignment directions under PMR 2021 to the concerned shareholders on 26.04.2022, and their responses were recorded. The learned counsel further stated that these shareholders are aligning their shareholdings per PMR, 2021.

Hearing dated 13.06.2023

9. The Petitioner's counsel submitted that the petition was filed for reporting compliance under Regulation 15 of the Central Electricity Regulatory Commission (Power Market) Regulations, 2021, and requested additional time to comply as per the Commission's order dated 26.04.2022. The learned counsel stated that the Petitioner has filed an affidavit documenting compliance with PMR, 2021 shareholding/ownership structure requirements, as directed by the Commission in the hearing dated 25.05.2023.

Submission by Petitioner

Compliance w.r.t. ownership structure

10. The Commission scheduled a hearing for Petition No. 285/MP/2021 on 22.02.2022. After hearing, the Commission instructed the Petitioner to provide some details on affidavit by 15.03.2022. By ruling dated 26.04.2022, the Commission relaxed Regulation 15 of the PMR 2021 stipulating the shareholding pattern requirement, until 31.03.2023.

11. The Petitioner stated that they had actively taken steps to comply with the directions, since the order dated 26.04.2022. As of 28.02.2023, they submitted shareholding patterns.



Sr. No	Name of the Shareholder	No fully paid-up Equity Shares of Rs 10/- each held	% held
1	NSE Investments Ltd (NSEIL)	1,70,76,527	29.21%
2	National Commodity & Derivatives Exchange Limited (NCDEX)	2,00,00,020	34.21%
3	GMR Energy Limited	40,00,000	6.84%
4	Power Finance Corporation Limited	32,20,000	5.51%
5	WB State Electricity Distribution Company Limited	40,00,000	6.84%
6	Gujarat Urja Vikas Nigam Limited	25,00,000	4.28%
7	Tata Power Trading Company Limited	25,00,000	4.28%
8	JSW Energy Limited	12,50,000	2.14%
9	MP Power Management Company Limited	10,00,000	1.71%
10	NTPC Vidyut Vyapar Nigam Limited	29,23,503	5.00%
	TOTAL	5,84,70,050	100

12. Based on the criteria of 'registration as Member of the Power exchange' under Regulation 15 of PMR 2021, the entities are permitted to hold shareholding as per prescribed norms, the status of Membership maintained by each shareholder is as under:

Sr. No	Name of the Shareholder	Member or Non-Member
1	NSE Investments Ltd (NSEIL)	Non-Member
2	National Commodity & Derivatives Exchange Limited (NCDEX)	Non-Member
3	GMR Energy Limited	Group company GMR Energy Trading Limited is 'Member'
4	Power Finance Corporation Limited	Non-Member
5	WB State Electricity Distribution Company Limited	Member
6	Gujarat Urja Vikas Nigam Limited	Member



Sr. No	Name of the Shareholder	Member or Non-Member
7	Tata Power Trading Company Limited	Member
8	JSW Energy Limited	Group company JSW Power Trading Limited is 'Member'
9	MP Power Management Company Limited	Member
10	NTPC Vidyut Vyapar Nigam Limited	Member

13. The Petitioner has enquired from the following four shareholders about their shareholding status vis-à-vis the prescribed norms:

Sr. No	Name of the Shareholder	Member or Non-Member	% Held
1	NSE Investments Ltd (NSEIL)	Non-Member	29.21%
2	National Commodity & Derivatives Exchange Limited (NCDEX)	Non-Member	34.21%
3	GMR Energy Limited	Group company GMR Energy Trading Limited is 'Member'	6.84%
4	WB State Electricity Distribution Company Limited	Member	6.84%

14. After the order dated 26.04.2022 and as per the Board directions, the Petitioner sent copies of the order to GMR Energy Limited and WBSEDCL shareholders on 12.07.2022, informing them of the Commission directives for shareholding structure alignment under PMR 2021.

15. That GMR Energy Limited, vide email dated 12.10.2022, submitted they fall under the category prescribed under Regulation 15 (1) (a) of PMR 2021 and further clarified that they are neither a member nor client of any member in the PXIL

exchange and hence, their shareholding of 6.84% is within the prescribed norms. The relevant portion of their letter is extracted below:

“GMR Energy Limited (GEL) is a shareholder in PXIL and hence CERC PMR 2021 regulation 15(1)(a) will be applicable to it, wherein the current shareholding of 6.84% is well within the prescribed limit Further you are requested to kindly note that GEL is neither a member nor client of any member on PXIL platform.”

16. The Petitioner, vide letter dated 16.11.2022, has also requested GMR Energy Limited to submit an independent legal opinion concerning the applicability of provisions of Regulation 15 of PMR 2021. Further, the Petitioner vide letters dated 16.11.2022, requested the other shareholders to take necessary steps to meet the prescribed norms within the timelines provided in the Commission.

17. NCDEX, WBSEDCL, and GMR Energy Limited responded with letters and emails dated 13.12.2022, 23.11.2022, and 06.02.2023, respectively:

- WBSECL requested the Petitioner to enquire from its existing shareholders if they are keen to purchase their shareholding beyond the norms;
- NCDEX requested the Petitioner to seek additional time from this Hon'ble Commission to comply with the prescribed norms of shareholding;
- GMR Energy Limited informed the Petitioner that they would take suitable actions within the requisite timelines.

18. The Petitioner reported receiving information from three shareholder entities during the Board meeting on 07.02.2023. The management stated that a few power sector organizations wanted to make strategic investments in the Petitioner and would seek Board guidance. The Board recommended asking the Commission for further time to align shareholding patterns given current market attitudes and electricity market dynamics. The Board noted that since the company has during the current financial year successfully met the prescribed net worth norms, it needs to adopt a cautious approach by exploring all avenues of complying with the shareholding structure by analyzing the following matters:

- a. Prevailing market sentiments regarding availability and raising of finances;
- b. The evolution of the power market considering major policy and regulatory changes, e.g.:
 - Increased competition due to the launch of a third power exchange
 - Notification of Energy Conservation (Amendment) Act 2022
 - Envisaged introduction of carbon markets, including fungibility of REC and ESCerts
 - Policy measures taken by MoP/MNRE for the introduction of green hydro, pumped storage system, draft renewable generation obligation as per Tariff Policy, etc.
 - Implementation of Electricity (Promoting Renewable Energy Through Green Energy Open Access) Rules, 2022
 - Implementation of Distribution of Electricity Licence (Additional Requirements of Capital Adequacy, Creditworthiness and Code of Conduct) (Amendment) Rules, 2022
 - Directions to generating companies under Section 11 of the Electricity Act, 2003
 - Recent introduction of longer tenure contracts on the PX platform
 - Recent introduction of contracts enabling transactions in renewable energy for different tenures
 - Introduction of High Price Day Ahead Market segment in Integrated Day Ahead Market
 - Delay in implementation of market coupling as introduced under PMR 2021
 - Constraints in implementation of REC Regulations 2022
 - Implementation of Central Electricity Regulatory Commission (Ancillary Services) Regulations, 2022

- Constraints due to part implementation Central Electricity Regulatory Commission (Connectivity and General Network Access to the inter-State Transmission System) Regulations, 2022
 - Implementation of Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2022
 - Migration to the National Open Access Registry (NOAR)
 - Introduction of Over-The-Counter (OTC) platform resulting in increased competition for the Power exchange platform
 - Introduction of new grid code in the near future
 - Changes in 'Power Market pricing' affecting participants ability to transact on the PX platform
 - Constraints in fuel availability, i.e., imported coal, gas, domestic coal, etc., resulting in sub-optimal utilisation of conventional power stations
 - Applicability of price cap in PX-based transactions, i.e. collective and bilateral transactions, constraining participation of different types of market participants
 - Proposed introduction of financially settled contracts in electricity and the role of PX
- c. Assess capital requirements to enable the PX platform to meet policy and regulatory changes, IT infrastructure and system up-gradation to meet increasing requirements of market participants due to increased competition in the PX space from emerging OTC-based platforms.

19. The Petitioner further submitted that after considering all of the relevant facts, the Board had determined that having sufficient reserves available is necessary to satisfy both the newly emerging problems and the expectations of market participants. The Board recommended the following:

- a. Seek additional time of two years i.e. till 31.03.2025, for meeting prescribed shareholding norms



- b. Add new equity investors by identifying and proposing market participants who are keen to associate as strategic partners by making equity investments

20. Subsequently, one of the promoter's shareholders, NSE Investments Limited, vide letter dated 21.02.2023, requested the Petitioner to submit the petition before the Commission seeking an additional time of twenty (24) months. Accordingly, the Petitioner filed the present petition for an extension of the timelines by another 24 months.

21. While the above is the maximum period sought by the Petitioner, it is taking all possible efforts to broad-base its shareholding further. However, this may take some time, given that the Petitioner has been able to achieve the prescribed net worth only in recent years and the increased competition from the new exchange, which has very strong strategic partners. There is considerable diversification in the shareholding, and the management is professionally run.

Analysis and Decision

22. On 15.02.2021, the Commission issued the Central Electricity Regulatory Commission (Power Market) Regulations, 2021 ("**PMR 2021**") and superseded the erstwhile Central Electricity Regulatory Commission (Power Market) Regulation, 2010. Accordingly, the Petitioner filed Petition No. 285/MP/2021 and sought permission for amendments to the Bye-Laws, Rules and Business Rules, Energy Saving Certificate Business Rules, and Renewable Energy Certificate Business Rules of the PX. The Commission issued an order dated April 26, 2022, along with the required directions to extend the deadline for achieving certain compliances under Regulations 54, 55, and 56 of the PMR 2021 because some of the compliances involved lengthy processes and required more time than what had been allowed. A request was made recognising that certain compliances necessitated extensive procedures and exceeded the allocated timeframe.

“40. The Petitioner has prayed for granting additional time period till 31.03.2024 for complying with the minimum net worth requirement of Rs. 50 crores. The Commission, in its earlier orders, has underscored the importance of net worth for a Power Exchange to avoid any business risk having the potential to create systemic risks and contagion effects on the sector. As such, relaxation of this requirement should not be sought on a routine basis. However, with due regard to the progress made so far by the Petitioner and in view of the fact that its present net worth (Rs. 46.58 crores) is close to the requirement of Rs. 50 crores, the Commission in exercise of its powers under the second Proviso to Regulation 14 of the PMR 2021 allows extension of time as a special case up to 31.03.2023 to the Petitioner for meeting the minimum net worth requirement as specified under Regulation 14 of the PMR 2021.”

23. The Petitioner has filed the present petition for reporting compliance to the directions given by the Commission in Order dated 26.04.2022 in Petition No. 285/MP/2021. The Petitioner has also requested additional time to achieve the requirement of a shareholding pattern in accordance with regulation 15 of PMR 2021. The directions issued by the Commission and compliance thereto are dealt with in the subsequent paragraphs.

Net Worth

24. Vide Order dated 26.04.2022, the Commission, while considering the progress made by the Petitioner with regard to its net worth being close to the requirement stipulated in the Regulations, allowed an extension up to 31.03.2023 to the Petitioner to meet the minimum net worth requirement.

25. The Petitioner has submitted that as on 31.12.2022, the unaudited and provisional net worth (including liability of preference dividend arrears) is Rs 65.21 Crore, and provisional net worth (excluding liability of preference dividend arrears) is Rs. 72.45 Crore, enabling it to meet the prescribed criteria.

26. As per documents placed on record, we observe that the Petitioner has fulfilled the minimum net worth requirement of Rs. 50 crore as per Regulation 14 of the PMR 2021, within the additional time period allowed by the Commission.

Shareholding

27. During the proceedings of Petition No. 285/MP/2021, the Commission noted the efforts made by the Petitioner to comply with the shareholding pattern stipulated in the PMR 2021, especially with regard to the investment by NVVN. In view of the same, the Commission relaxed the shareholding pattern requirement for a temporary period up to 31.03.2023. However, the Commission also observed that persistent relaxation in meeting the requirement is neither in the interest of the Power Exchange nor for the overall stakeholder confidence in the Power Exchange as a market platform. The relevant excerpt from the Order dated 26.04.2022 is reproduced below.

“41. The Petitioner has also requested for grant of additional time period till 14.08.2025 for complying the specified shareholding pattern. We note that the shareholding pattern as specified in the PMR 2021 is aimed at ensuring that the Exchanges operate in a demutualized (separation between promoters and management) and ring-fenced (separation between Trader Members and management) manner with no particular shareholder controlling the management of the Exchange. As such, persistent relaxation of this requirement is neither in the interest of the Power Exchange nor for the overall stakeholder confidence in the Power Exchange as a market platform. We have noted the efforts being made by the Petitioner in this direction, especially the recent investment by NVVN and believe that the Petitioner would continue to endeavor to meet the requirement at the earliest. However, the request for grant of additional time period till 14.08.2025 for complying with the prescribed shareholding pattern is not justified.

42. We note that Regulation 56 of the PMR 2021 provides the Power to Relax as under:

56. Power to Relax

The Commission may in appropriate cases and for reasons to be recorded in writing relax any of the provisions of these regulations.

43. In exercise of its powers under Regulation 56 of the PMR 2021, the Commission relaxes, for the Petitioner, the requirement of shareholding pattern specified under Regulation 15 of the PMR 2021 for a temporary period up to 31.03.2023 and the Petitioner shall meet the said requirement within that period.”

28. The Petitioner, in the instant petition, has requested additional time of two years till 31.03.2025 for alignment of the ownership structure as per PMR 2021. The relevant excerpt from Regulation 15 of Power Market Regulation 2021 is prescribed as follows:-

“15. Ownership structure of Power Exchange

(1) The shareholding pattern for equity holders in Power Exchange shall be as follows:



(a) Any shareholder other than a member or a client, directly or indirectly, either individually or together with persons acting in concert, shall not acquire or hold more than 25% of shareholding in the Power Exchange.

(b) A member or a client, directly or indirectly, either individually or together with persons acting in concert, shall not acquire or hold more than 5% of shareholding in the Power Exchange.

(c) A Power Exchange can

The diversified shareholding pattern as above is mandated to ensure that a power exchange can safeguard against any business risks and operate in a demutualized and ring-fenced manner with no shareholders dominating the proceedings of the exchange. It is observed that the Petitioner is not fulfilling the shareholding pattern specified under Regulation 15(1)(a) and (b) of the Power Market Regulations to operate a power exchange. It is found that the promoter shareholders (who are non-member shareholders) and some of the member shareholders (Traders) of the Petitioner are exceeding the shareholding ceiling of 25% and 5%, respectively, specified under Power Market Regulations. The details of such shareholders are as under:

Sr. No	Name of the Shareholder	Member or Non-Member	% Held
1	NSE Investments Ltd (NSEIL) (Promoter)	Non-Member	29.21%
2	National Commodity & Derivatives Exchange Limited (NCDEX) (Promoter)	Non-Member	34.21%
3	GMR Energy Limited	Group company GMR Energy Trading Limited is a 'Member'	6.84%
4	WB State Electricity Distribution Company Limited	Member	6.84%

29. The Commission has, from time to time, given relaxation to the Petitioner for complying with the shareholding pattern requirement as specified under the Power Market Regulations. The Commission has issued various orders in the past with regard to the grant of time and relaxation for meeting the shareholding pattern requirement. The Commission is of the view that the diversified shareholding pattern

provided under Regulation 15 of the Power Market Regulations is important to ensure that exchanges operate in a demutualized (separation between promoters and management) and ring-fenced (separation between Trader Members and management) manner with no particular shareholder controlling the management of the exchange. Based on the Petitioner's submission regarding the future action plan to achieve the required shareholding pattern, the Commission is of the view that the Petitioner should first of all strive to dilute the shareholding of two promoter shareholders i.e. NSE Investments Ltd (NSEIL) and National Commodity & Derivatives Exchange Limited (NCDEX) (Promoter) up to 25%, on or before 30.09.2024.

30. With regard to shares held by GMR Energy Limited (GEL), we have considered the legal opinion submitted by the Petitioner. It notes that the GEL holds 10.94% equity in one of the GMR Group companies, namely GMR Energy Trading Limited ("GETL"), which is a Category-I trader and is a registered 'Member of Power Exchange' on PXIL. However, the opinion given is that the shareholding of the GEL in GETL shall have no impact or relevance on the percentage of equity being held by the GEL in PXIL, thus GEL has a direct shareholding of only 6.84% as of now, is eligible to hold equity in PXIL up to the limit of 25%. We are of the view that if GETL, in future, decides to have equity shareholding in PXIL, then the same may be undertaken in a manner that the GEL and GETL together may not own more than 25% equity in PXIL in a manner which does not offend Regulation 15(1)(a) of the above Regulations.

31. With regard to the share held by WB State Electricity Distribution Company Limited (WBSEDCL), we are of the view that to strictly follow the concept of demutualised and ring-fenced organisation as prescribed under PMR,2021, a member or a client's shareholding in a Power Exchange restricted to only 5% of the total shareholding.

32. We note that the Petitioner, in the matter of Petition No. 285/MP/2021, had requested additional time till 14.08.2025 to meet the shareholding requirements. The

Commission had, after examining the matter in detail, held that the request was not justified and granted time till 31.03.2023. The Petitioner has yet again requested for additional time up to 31.03.2025 in the instant petition.

33. We consider it necessary that a Power Exchange should be a fully demutualised and ring-fenced organisation. A dispersed ownership structure, as specified in the Regulations, is key to avoiding any potential conflict of interest situation for the management of the Power Exchange. We strongly feel that the extension(s) granted by the Commission for meeting regulatory requirements should not be treated as a matter of perpetuity by the Power Exchanges, and earnest efforts should be made to comply with the regulatory requirements to repose the faith of stakeholders in the regulatory system.

34. While the request for a time period till 31.03.2025 is not justified, based on the Petitioner's submissions, we are of the view that some more time may be granted to PXIL to achieve the shareholding pattern as per PMR 2021. Accordingly, in exercise of the powers to relax, under Regulation 56 of PMR 2021, the Commission grants the Petitioner time up to 30.09.2024 to align its ownership structure (in respect of NSEIL, NCDEX and WBSEDCL) as per the requirement under Regulation 15 of PMR 2021.

Transaction Fee

35. The Commission had directed the Petitioner to file a separate Petition on Transaction fee as the proposal of the Petitioner in the form submitted in Petition No. 285/MP/2021 was incomplete without any justification for and basis for arriving at the proposed fee, nor was it related to quantum/duration/type of transactions, as required under regulation 23 of PMR 2021. The relevant excerpt from the Order is as below

"45. We note that as per Proviso to Regulation 23, the Petitioner is required to obtain approval for the transaction fee to be charged by its Exchange based on the types of contract or quantum of transaction or duration of transaction, etc. The proposal of the Petitioner, in its current form, is incomplete as it only makes a general proposition without any justification for and the basis of arriving at the transaction fee, nor does it relate the transaction fee to quantum of transaction, duration of transaction and other related factors, as required under Regulation 23 of the PMR 2021.

46. Moreover, Clause 5.4 of the draft Business Rules submitted by the Petitioner states that the transaction fee will be computed on a value basis or volume basis as



may be decided from time to time, which is inconsistent with Regulation 23 of the PMR 2021 which provides that the Power Exchanges shall be required to obtain approval of the Commission for the transaction fee to be charged. In the overall interest of the market, we advocate utmost transparency in charging the transaction fee. Therefore, we direct the Petitioner to file a separate Petition on the transaction fee providing the rationale of its proposal based on types of contract or quantum of the transaction, or duration of the transaction or such other factor(s) in accordance with Regulation 23 of PMR 2021, within two weeks of issuance of this Order.”

36. In this regard, PXIL had filed Petition No. 178/MP/2022, which was dealt with by the Commission and disposed of vide Order dated 05.04.2023.

37. In regard to the shareholding, PXIL is directed to submit a report by 31.12.2023 to the Commission regarding the status of its progress. The Petitioner should also ensure that a robust risk management and surveillance process is in place to address the market risks and avoid any conflict of interest. In case PXIL fails to achieve the required shareholding pattern by timelines stipulated in this order, the Commission shall be constrained to initiate measures as may be deemed appropriate in accordance with the provisions of PMR 2021.

38. Petition No. 95/MP/2023 is disposed of in terms of the above.

**Sd/-
(P.K. Singh)
Member**

**Sd/-
(Arun Goyal)
Member**

**Sd/-
(I.S. Jha)
Member**

**Sd/-
(Jishnu Barua)
Chairperson**

